

Entrance Counseling Guide for Counselors

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Introduction

This *Entrance Counseling Guide for Counselors (Counselors' Guide)* is designed to help school financial aid administrators present effective entrance counseling sessions for first-time borrowers of subsidized Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) and Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans). Both loans are part of the William D. Ford Federal Direct Loan Program (Direct Loan Program).

This *Counselors' Guide*, the companion video, and the *Entrance Counseling Guide for Borrowers (Borrowers' Guide)*, along with the exit counseling materials, constitute the William D. Ford Federal Direct Loan Program Counseling Kit. These materials highlight key student loan

information and financial management concepts. Suggestions for using the video and coordinating the information in it with the *Borrowers' Guide* are provided later in this guide.

Financial aid administrators can use these materials to organize their presentations, to focus on the issues most important to their students, and to cover the information necessary to comply with U.S. Department of Education (ED) regulations governing initial loan counseling in 34 CFR 685.304(a).

The U.S. Department of Education (ED) provides these materials as optional counseling tools. Schools are not required to use them.

The William D. Ford Federal Direct Loan Program is authorized by Title IV, Part D, of the Higher Education Act of 1965, as amended.

What Is Required

A school participating in the Direct Loan Program is required by law to provide entrance counseling to first-time borrowers.

A **first-time borrower** is someone who has not previously received a Direct Subsidized Loan, Direct Unsubsidized Loan, Federal (non-Direct) Stafford Loan, Federal (non-Direct) Unsubsidized Stafford Loan, or federal Supplemental Loan for Students (SLS). Students who have received one or more of these loans are not considered first-time borrowers.

Federal regulations allow schools to conduct entrance counseling in person, by using a video with a financial aid expert available to answer questions, by using computer assisted technology, or by mailing counseling materials to students if the school has adopted an alternative counseling approach (see page 3).

Written counseling materials must also be mailed to borrowers enrolled in correspondence programs or study-abroad programs approved for credit at the home school prior to disbursing the loan. *The Borrowers' Guide* can be used to satisfy this requirement. These students do not have to receive in-person counseling as well.

Schools must also maintain documentation showing that each borrower received the required counseling.

Regulatory Requirements

Federal regulations require that, as part of entrance counseling, your school must—

- Emphasize to student borrowers the seriousness and importance of the loan repayment obligations they are assuming;
- Describe in "forceful terms" the likely consequences of default, including damaged credit ratings, legal action taken against borrowers, and garnishment of borrowers' wages;
- Provide borrowers with the average indebtedness of students who have obtained Direct Subsidized and Direct Unsubsidized Loans to attend your school or to enroll in the borrower's particular program of study; and
- Inform student borrowers of the average anticipated monthly payments for your school's students on the basis of the average indebtedness figures described above.

Secretary's Recommendations

The U.S. Secretary of Education also recommends that your school's entrance counseling include other topics covered in Appendix D of 34 CFR 668, the Student Assistance General Provisions, such as—

- Reminding borrowers to keep the Direct Loan Servicing Center (Servicing Center) informed of any changes in name, address, telephone number, Social Security Number, employer, or enrollment status that might occur during the lives of their loans;
- Reminding borrowers they are obligated to repay the full amounts of their loans, plus interest, even if
 - They do not complete their program of study;*
 - They do not like their schools or programs of study; or
 - They do not obtain employment after completing their programs of study;
- Reviewing critical information by having students answer questions (such as the ones provided on page 17 of the *Borrowers' Guide*);
- Counseling borrowers on budgeting and other aspects of personal financial planning;
- Reviewing loan provisions for deferment, forbearance, and discharge (cancellation);
- Reviewing the available repayment plans;
- Informing borrowers there is no penalty for early repayment of their loans;

- Reviewing borrowers' rights and responsibilities;
- Reviewing all loan terms and conditions, including interest rates and loan fees; and
- Reminding borrowers to contact the Direct Loan Servicing Center if they have questions or any difficulty making a payment.

**There are two exceptions to this requirement under certain circumstances: if the borrower's school has closed or if the school has falsely certified the borrower's eligibility.*

Alternative Approach to Entrance Counseling

A school may adopt an alternative approach to entrance counseling as part of its overall quality assurance plan, as detailed in 34 CFR 685.304(a)(5). If your school chooses to use the alternative approach, it must—

- Ensure that each first-time borrower is provided with written counseling materials containing the information described in 34 CFR 685.304(a)(3);
- Target those students who are most likely to default and provide them with more intensive counseling and support services; and
- Include outcome-oriented performance measures to demonstrate the effectiveness of the alternative counseling approach, such as measures that determine levels of borrowing, default rates, and withdrawal rates.



Borrowers are obligated to repay the full amounts of their loans, plus interest



Administrative Considerations

A school must provide entrance counseling for first-time student loan borrowers before making the first disbursement of a Direct Subsidized Loan or a Direct Unsubsidized Loan.

The total number of first-time borrowers at your school will determine the number of counseling sessions you offer, the timing, and the size of the rooms to use.

Your first-time student loan borrowers are likely to find the quantity and complexity of loan information overwhelming. Be sure to let them know that, in addition to the entrance counseling session, help is always available from your school's financial aid office.

Help is also available from the U.S. Department of Education. Borrowers may call the Department's Direct Loan Servicing Center at any time regarding their Direct Loans. The Department of Education's Direct Loan Servicing Center's address and telephone number will appear on all correspondence that the students receive from the Servicing Center. Students should always use that information if they have questions about their student loans.

While schools are required to provide entrance counseling for first-time borrowers, the Department of Education encourages you to distribute the *Borrowers' Guide* to all Direct Loan borrowers.

Organizing Counseling Sessions

The content of your entrance counseling sessions should be based partly on your school's student demographics and available resources. For example, the number of Direct Loan recipients at your school will be a factor in deciding whether individual or group counseling is

more appropriate. Your school's graduation rate and research on why students drop out of your school might affect how much emphasis you place on certain issues such as in-school budgeting.

Scheduling Counseling Sessions

The following factors will help you determine the schedule for your loan counseling sessions:

- Consider when most of your Direct Loans are processed and select a loan counseling date (or dates) that is soon after loan processing is completed. Creating an annual entrance-counseling schedule might be helpful.
- Entrance interviews should be convenient for students. If yours is a residential campus, you might want to conduct entrance counseling in dormitories in the evenings. If your school has a number of commuting students, you might offer counseling sessions on weekends or evenings.
- Seating limitations and group size will also affect scheduling. For optimum participation from students, group sessions should have no more than 30 attendees. Sessions larger than this might discourage questions or make it difficult for you to adequately answer all student questions. If groups are too large, it is difficult to evaluate the effectiveness of counseling sessions.

Notifying Borrowers

Borrowers need to be notified of the date, place, and time of their entrance counseling sessions. Your notification should emphasize that the federal government mandates that first-time borrowers receive counseling before their loans can be disbursed.

You might want to include your entrance counseling notifications with students' award letters. You might also consider a news release in the student newspaper, a notice on the bulletin boards in the student union and residence halls, and/or a message to students on your campus financial aid home page. Plan to get your notices out in advance of the sessions to allow sufficient time for students to mark their calendars and inform you if they have special needs.

Understanding the Direct Loan Program

Your students need to understand loans in general and the specifics of the Direct Loan Program in particular.

A unique feature of the Direct Loan Program is the U.S. Department of Education's Direct Loan Servicing Center. The address and telephone number for the Servicing Center appears on all correspondence and on all statements the student receives from the Servicing Center. Borrowers are directly responsible for repaying their loans and must keep in contact with the Servicing Center during the period of loan repayment.

If students at your school previously borrowed from other federal non-Direct loan programs, it is also important that they understand the differences between those federal loans and Direct Loans. For example, although many of the terms of the loans are similar, the lender, delivery system, and repayment options differ significantly.

You need to remind borrowers that it is essential they inform you of any other federal student loans they have received or are applying for to make sure that they maintain good standing with their non-Direct federal loans.

Necessary Equipment and Facilities

The entrance counseling video is easy to show to student borrowers. The only requirements are a television (or monitor) and a VHS-compatible VCR.

You also need to be confident that your video presentation and facility are accessible to all students or that arrangements are made to accommodate any borrowers with special needs. The video is close-captioned for hearing-impaired students. You might need to make preparations for students with special needs, such as students who use wheelchairs or those who are blind or visually impaired.



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If your school
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Accompanying Materials

The materials you may want to distribute to your students during entrance counseling sessions include:

- The *Entrance Counseling Guide for Borrowers* for the Direct Loan Program;
- The Direct Loan promissory note and disclosure statement;
- The Direct Loan Borrower's Rights and Responsibilities (note that a hand-in summary checklist of this statement is included in the *Borrowers' Guide*);
- Your school's satisfactory academic progress policy;
- Your school's refund and repayment policies;
- Your school's disbursement schedule.

You may also want to stamp your school's name, address, and telephone number in the "For School Use" box on the back cover of the *Borrowers' Guide*.

Documenting Student Attendance

Federal law requires that first-time borrowers receive entrance counseling before receiving any Direct Loan money. Federal law also requires schools to document that first-time borrowers received the counseling. On page 20 of the *Borrowers' Guide* is a borrowers' Rights and Responsibilities Summary Checklist that students can sign and return to you. Its completion meets the government's documentation requirements. The page is perforated for easy removal.

Unless your school has developed an alternative approach to entrance counseling in accordance with federal regulations (see page 3), your school must conduct the required entrance counseling with each first-time Direct Subsidized Loan and Direct Unsubsidized Loan borrower in person, by video or by computer assisted technology. Remember that if your school uses a video, you must also have a financial aid expert on hand to answer student questions.

Written counseling materials must also be mailed to borrowers enrolled in correspondence programs or study-abroad programs approved for credit at the home school prior to disbursing the loan. The *Borrowers' Guide* can be used to satisfy this requirement. These students do not have to receive in-person counseling.

Entrance Counseling Tips

The entrance counseling materials in the *Counseling Kit* (video, *Counselors' Guide*, and *Borrowers' Guide*) provide important information about the Direct Loan Program and, with one exception, meet all federal entrance counseling requirements. The exception: Your school must add its own information about average indebtedness and average monthly payment amounts of its Direct Loan borrowers, as discussed on page 2 of this *Counselors' Guide*. You may use the "For School Use" box on the back of the *Borrowers' Guide* or the "Important Things You Should Find Out" section of the *Borrowers' Guide* to provide this required information.

The video and *Borrowers' Guide* are designed to teach students how to successfully manage their loans. Encourage them to file the *Borrowers' Guide* and keep it with their important papers. Although students might not remember all the information detailed during entrance counseling, they will likely remember that the answers to their questions can be found in the *Borrowers' Guide*.

When using the video, your school's financial aid expert should be prepared to answer questions, review portions of the *Borrowers' Guide*, and reinforce points made in the video. Topics discussed might include calculating a realistic budget using actual expenses and resources, borrowing only what is needed, and defining terms such as grace period, deferment, forbearance, and repayment.

You might want to make a record of commonly asked questions during the counseling sessions and create your own question-and-answer sheet to use as a handout in later sessions or in your loan information packets.



You may want to make a record of commonly asked questions during the counseling sessions



Your Presentation

Recommended 4-Step Entrance Counseling Presentation

- 1. Introduce the Session.** Give students an overview of what you'll be discussing during the session.
- 2. Show the Video.** The video covers most of the information that new student borrowers need to know.
- 3. Review the Borrowers' Guide.** Before answering questions, you may want to go over the *Borrowers' Guide* with students to make additional points and emphasize important information. For your convenience, the following pages provide an outline for such a presentation. The outline closely follows the *Borrowers' Guide*.
- 4. Answer Questions.** Your school must provide a financial aid expert to answer questions after the video ends.

Remember, it is a federal requirement that you document student attendance at entrance counseling sessions, unless you have developed an alternative approach to entrance counseling.

Presentation Outline:

"Reviewing the Borrowers' Guide"

Note to Counselor: The following presentation outline is written as a script, so that you can read directly from it or use it as a guide when writing your own presentation.

Facts about Your Direct Loans

Pages 1-4 of the *Borrowers' Guide* present facts about Direct Subsidized Loans, Direct Unsubsidized Loans, and the role of the Direct Loan Servicing Center.

- The interest rate on your Direct Loan is variable and, by law, may be adjusted each year. However, it will never go higher than 8.25 percent for students.
- There are limits on the amounts you can borrow each year and overall limits on student-loan borrowing during the years you are in school (aggregate limits).
- *Subsidized* means the government will not charge you interest during some periods—for example, while you remain in school at least half time. In contrast, you are charged interest on *unsubsidized* loans from the day the loan funds are disbursed until you repay them in full.
- After unsubsidized loan funds are disbursed, you will receive information each quarter about the interest that is accumulating on your loan. You may choose to pay this interest or wait and have it capitalized when you enter repayment.
- Capitalizing interest means the unpaid accumulated interest will be added to the total amount you owe. This postpones your interest payment, but doing so means you will pay more over the life of the loan.
- You will receive a promissory note—a legally binding contract between you and your lender, the U.S. Department of Education. It contains the terms and conditions of your loan and how you will repay it. Be sure to keep a copy of the promissory note and all other papers related to your loans.
Note to the Counselor: Explain multiyear functions.
- You will receive a disclosure statement for each new loan you borrow before or at the time the first part of your loan is paid to you or credited to your account. It will tell you the types of loans you are borrowing, amount, the fees, and other information. The disclosure statement for your records until your loans are paid in full. *Note to the Counselor: Refer the borrower to The Inside Scoop for Borrowers for additional information.*
- By law, a loan fee equal to 3 percent of the loan amount disbursed to you will be subtracted proportionately from each disbursement of your loan. In other words, the loan fee is another expense of borrowing and reduces the total dollar amount paid to you by 3 percent.
- The Direct Loan Servicing Center is responsible for working with you as a Direct Loan borrower, helping answer your questions, and collecting your loan payments.

Direct Loan Repayment Plans

Pages 5-7 of the *Borrowers' Guide* introduce the four repayment plans for the Direct Loan Program. The choices are intended to make it as easy as possible for you to repay your loans.

More specific information will be given about these repayment options when you attend exit counseling just before leaving school.



The federal government will use every means at it's disposal to collect repayment on your Direct Loan

Direct Consolidation Loans

In addition to the four repayment plans, a Direct Consolidation Loan can provide the opportunity to combine all of your federal student loans into one loan. This includes Federal Perkins Loans and Federal Family Education Loans (FFEL). This is discussed on page 7 of the *Borrowers' Guide*.

Beginning Repayment and Related Provisions

Pages 9-10 of the *Borrowers' Guide* explains how, as a Direct Loan borrower, you may be eligible to postpone payments. For example, deferments and forbearance, under certain circumstances, are options that can provide flexibility during repayment and help you to meet your repayment obligations.

Page 11 of the *Borrowers' Guide* describes the consequences of failing to repay your Direct Loan. The federal government expects all student loan borrowers to fulfill their obligation to repay their loans.

The federal government will use every means at its disposal to collect repayment on your Direct Loan. If you fail to repay a loan, the consequences are serious:

- The entire unpaid balance and accrued interest on your loan would be immediately due and payable.
- You will lose your deferment and forbearance options.
- You will lose your eligibility for additional federal student financial aid.
- Your debt will be reported to credit bureaus resulting in a bad credit rating, which makes it difficult for you to get any other type of loan, such as a home mortgage or car loan.
- The federal government can take your tax refunds.
- Late fees, additional interest, court costs, collection fees, attorney fees and other costs can increase your total debt.
- Your employer, at the request of the federal government, can withhold (garnish) part of your wages.
- The federal government can take legal action against you.

Your Responsibilities While In School

Page 11 of the *Borrowers' Guide* also explains that you must notify the financial aid office any time you—

- Reduce your enrollment status to less than half time;
- Withdraw from school;
- Stop attending classes;
- Fail to reenroll for any term;
- Change your expected graduation date; or
- Change your name and/or address (local or permanent).

Transfer Students

Page 12 of the *Borrowers' Guide* discusses what transfer students must do if receiving Direct student loans while attending other schools. If you transferred from another school where you received federal Direct student loans, and you will be enrolled at least half time, contact the U.S. Department of Education's Direct Loan Servicing Center to request an in-school deferment.

If you have other federal student loans such as a Federal Family Education Loan (formerly Guaranteed Student Loan) or Federal Perkins Loan, you must contact the lender or the lender's servicer, to inform the lender or servicer that you have transferred to a different school and need to apply for an in-school deferment for your non-Direct loans.

Budgeting

Pages 13-16 of the *Borrowers' Guide* advise you that budgeting can help you stay in school and help limit the total amount you need to borrow. The *Borrowers' Guide* takes a step-by-step approach to creating and maintaining a budget.

- Budgeting your resources helps you manage your money and stay in school.
- In-school budgeting means—
 - Determining your cost of attendance (COA);
 - Defining your financial resources;
 - Seeking out other possible resources, such as scholarships and part-time employment; and
 - Using a budget worksheet.

Note to Counselor: Review Option. A student review sheet is on page 17 of the *Borrowers' Guide*. This is a good point in your presentation to have students review what they have learned.



The Borrower's Guide takes a step-by-step approach to creating and maintaining a budget



Documenting
your attendance
at entrance
counseling is a
federal
requirement

Important Information for Students to Keep

Page 18 of the *Borrowers' Guide* provides a worksheet to help you keep track of how much you have borrowed. Page 19 has space for you to write down important information, including specific information about this school.

The school-specific information you need to note includes—

- Refund and repayment policies;
- The satisfactory academic progress requirements;
- The procedure for reporting name and address changes; and
- The toll-free telephone number and address for the U.S. Department of Education's Direct Loan Servicing Center.

Wrapping Up the Presentation

In closing, here's information about:

- How to make an appointment to see a financial aid expert here:

- Community service agencies that can help with budgeting and financial planning:

- Other school resources, such as tutoring or child care:

Are there any final questions?

Rights and Responsibilities Summary Checklist

Documenting your attendance at entrance counseling is a federal requirement. Filling out and turning in the Rights and Responsibilities Summary Checklist on page 20 of the *Borrowers' Guide* fulfills this requirement; the page is perforated for easy removal. Please read the checklist carefully, sign it, tear it out, and turn it in to me.

Note to Counselor: You might want to point out to students that the Rights and Responsibilities Summary Checklist is repeated on the inside back cover of the *Borrowers' Guide* so they will also have a copy of it. You may also have students sign an attendance roster as a way to record attendance.

Notes

Notes

U.S. Department of Education
Office of Student Financial Assistance

www.ed.gov/DirectLoan/
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